

MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE OWYHEE IRRIGATION DISTRICT

July 20, 2010

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on July 20, 2010, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 8:14 p.m. Bruce Corn, President of the District, presiding.

The following Directors were present:

Dan Tschida	Jerry Nagaki
Frank Ausman	Eric White
Bruce Corn	

Also present were: Jay Chamberlin, District Manager; Michael W. Horton, General Counsel; Harvey Manser, District Assistant Manger; Tom Zittercob, Hydro Operator; Ray Waldo, Insurance Agent; Peter Nichols, CPA; Brian Richins, Auditor (who joined the meeting at 8:40 p.m.); and Ed Tabor and Tom Elliott, Oregon Department of Energy.

MEETING NOTICE. Mr. Chamberlin reported that he gave notice to the news media as to the time, date, and place of the meeting on July 12, 2010.

MITCHELL BUTTE REHAB. Mr. Zittercob said that he has been investigating replacing the power plant at Mitchell Butte with a new turbine and generator. He said that he does not have hard-dollar quotes yet, but the ballpark figure is for a Chinese made model at a cost of approximately \$400,000. He said that it will have a turbine like the Dam Plant, but smaller. He said that it will be a synchronous unit. He said that he spoke with an engineer who does small hydros and he suggested trying to renegotiate the Mitchell Butte Power Sales Agreement with Idaho Power to see if the District can get a higher rate on the extra energy which may be produced. He said that his estimated total cost, with installation, is \$750,000. Mr. Tabor said that the Oregon Department of Energy does have lending money available. He said that they are open to help finance. Mr. Zittercob said that he has an engineer coming out in mid September and he would like him to meet with the Board. Mr. Zittercob said that ordering a new turbine would require one year lead time. He said that he would like the Board to make a decision between now and Christmas.

Mr. Zittercob said that Riverside does not have the second unit in at the facility yet. Mr. Horton suggested that if the District cannot get a higher rate, that it still may be able to generate enough income to service the debt for the initial cost and installation. He said that would need to be analyzed. President Corn said that the District needs to have an engineer come out soon. Scheduling next month's Board meeting was discussed. Mr. Elliott said that he and Mr. Tabor are going up to the Mitchell Butte facility tomorrow and that they would be willing to come back for the District's next meeting.

At 8:30 p.m., Ed Tabor and Tom Elliott left the meeting.

MITCHELL BUTTE PROPERTY AND LIABILITY INSURANCE Mr. Waldo updated the Board on the insurance policies for the Mitchell Butte Power Plant. He said that the District does have equipment breakdown insurance and he recommends that that the District submit a claim. He said that he will move forward with that tomorrow and the insurance proceeds may be able to help with repair costs and loss of income.

Mr. Waldo said that the South Board has been insuring their pumping plants for equipment breakdown. He said that he is looking for a quote from Special Districts for the Dunaway and Dead Ox Pumping Plants. He said that he will also talk to Special Districts about insuring the Mitchell Butte Project since it is a smaller facility than the Dam and Tunnel.

MINUTES. The minutes of the June 22, 2010, meeting of the Board of Directors were mailed to the Directors prior to the meeting. A motion was made by Director Nagaki, seconded by Director Tschida, and unanimously carried approving the minutes as mailed.

At 8:40 p.m., Brian Richins, CPA, joined the meeting and Ray Waldo and Tom Zittercob left the meeting.

MITCHELL BUTTE POWER PROJECT.

Financial Report. Mr. Chamberlin said that the financial report for the Mitchell Butte Power Project is in the Directors' packets.

Accounts Payable. Mr. Chamberlin presented the following schedule of accounts payable for the Mitchell Butte Power Project:

Q-West	\$	124.58
Teague Mineral Products		15.00
Nichols Accounting		<u>75.00</u>
Total		\$214.58

A motion was made by Director Tschida and seconded by Director White that that the accounts for the month, as listed in the agenda, be paid. A vote was had on the motion which passed unanimously.

2009 AUDIT. Brian Richins handed out copies of the 2009 District audit. He said that the District's records are in great shape. He said that Nichols Accounting has done a great job for the District. He said that the District's books were the cleanest ever. He then reviewed his audit letter. President Corn said that it is positive to have this type of report for the District.

Included in the audit report were charts showing a six-year history. Mr. Richins went through the charts and then went through the audit report as the Directors reviewed it. He noted that this is the first year in the last six years that revenues have exceeded expenses. He said that the District has done a better job classifying expenses on the budget. He said that overall cash improved, but that a

lot of that went into reserves. He said the only issue is that the District does not have a management letter. He said that there are no ramifications for not doing it, but in the future the District may want to provide a management letter. He explained the scope of the letter and said that he will get templates to the District to use for next year.

Mr. Richins said that there were no deficiencies or material weaknesses in the District's books. He said his only question is on the Tunnel debt and the cash in the Tunnel accounts. These matters were explained to Mr. Richins by Mr. Nichols. President Corn said that the Directors will consider approving the audit at next month's meeting. Mr. Horton asked Mr. Chamberlin to put this on the agenda for next month's meeting. At 9:05 p.m., Brian Richins left the meeting.

DISTRICT FINANCIAL REPORT. Mr. Nichols went through the District financial report as the Directors reviewed it. Mr. Horton noted that at last month's meeting, the District authorized the payment of \$1,000 to OWRC to come out of the District's Environmental Fund. Mr. Horton said that this needs to show up in the District's financial report. Mr. Chamberlin said that there are some reclassifying of expenses that needs done. Mr. Nichols said that Lori from his office and Kris Ward need to communicate on changes. President Corn noted that assessment income is down. Mr. Nichols noted that even so, that at the end of June the District is in a better cash position than it was a year ago.

On the ring gate repairs, Mr. Chamberlin said that bills have been sent out to the other Districts and that OID should see payment next month. Mr. Nichols went through the budget to actual comparisons in the report. He said that he will work with Mr. Chamberlin on weed control allocations which need some tweaking.

Mr. Nagaki asked where the budget surplus from last year went to. Mr. Nichols pointed out in the report that the funds went into operating reserves. He said that he thinks that the District should have approximately \$750,000 in reserves given the expense budget.

TUNNEL BOND PAYMENT. Mr. Nichols explained that a Tunnel Bond payment was accidentally made and needs to be corrected. He said that in the future, he needs to give Kris Ward information on payments to be made to the Oregon Department of Energy. Mr. Chamberlin said that this needs to be done on a monthly basis. Mr. Nichols suggested that when the financial report is finished, he will send Kris Ward an email explaining the payments to be made, which account they are to come out of, and which account they are to go into. President Corn asked Mr. Nichols to include negative numbers in the Tunnel financial report so that the Directors can keep tabs on how far in the hole the project is going. Mr. Manser asked where in the budget it shows the Mitchell Butte transfers coming into the District. Mr. Nichols explained that the revenue is loan repayment and not income.

DISTRICT ACCOUNTS PAYABLE. The accounts payable for the District were reviewed and discussed by the Directors. The Board members noted that the report does not include a detailed description of the charges in the accounts payable. The Directors asked for the descriptions and Mr. Chamberlin said that they will be provided next month. President Corn noted that the Directors will need to review the detailed descriptions at next month's meeting.

FLETCHER GULCH PIPELINE PROJECT. Mr. Chamberlin said that the grant application from OWEB on the Fletcher Gulch Pipeline Project was denied. He said that SWCD was encouraged to resubmit the grant application this fall. He said that USBR was moving towards approval of the District's grant application and they have encouraged the District to resubmit that application.

CASCADE TREATMENTS. Mr. Manser passed around photos of weed growth in the canal before and after the Cascade treatment. He provided photos of weeds in the canal 69 miles from the treatment site and he said that the chemical took down growth after 25 days. He said that District staff are now learning how big a problem algae growth in the canal would be since Cascade does not treat algae. He said that this would have to be addressed next year. He said that Teton chemical may work on algae. Mr. Manser asked the Directors if algae was a problem in their areas. The Board members all said that they did not have an algae problem. Mr. Manser noted that some algae treatment will be done tomorrow as it is creating a problem on concrete liners. The matter was discussed, as was mechanical cleaning. Mr. Chamberlin noted that water user, Jim Belnap believes that the treated water killed some of his beans. Mr. Chamberlin said that an investigation was done and Mr. Manser explained that investigation. The matter was discussed and Mr. Chamberlin said that the chemical company is investigating.

NPDES PERMIT ISSUE. Mr. Chamberlin said that EPA has issued directions similar to what Oregon has already been doing on use of the Cascade product. Mr. Chamberlin said that Oregon irrigation districts are working through the State Association on having DEQ issue its permit. He said that right now the District can continue its tag-out lockout procedure. He said that he has heard some disappointments from other districts on the use of the Cascade product.

B2H UPDATE. President Corn said that the scoping meetings are coming up. He said that things look good right now. Director Tschida said that it looks as if the new proposed route will go through his rangeland. Mr. Horton said that he will express concern with any construction near the power plant transmission lines for the Joint Committee.

STATE WATER PLAN. Mr. Chamberlin said that at a recent State meeting, he learned that the State has no money to implement any plan and that he is concerned that the process is simply supplying environmental groups with information from the agricultural community. He said that he believes the money which the District gave to OWRC on hiring a scientist will be money well spent.

DISTRICT EMPLOYEES. Mr. Chamberlin said that the Nyssa maintenance employee has resigned. He said that he would like to replace him, but with the current budget situation, he might possibly wait and hire temporary help in the meantime. Mr. Chamberlin handed out a letter from the Employee Group explaining their thoughts on employee salaries for the next few years. Mr. Chamberlin said that he would like the Directors to review it and discussed the matter at next month's meeting. He said that he will have numbers and information available for the Board at that meeting.

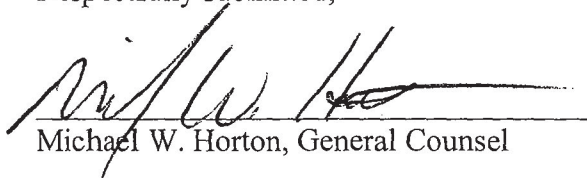
DISTRICT EQUIPMENT. Director Ausman said that he heard Idaho Power is eliminating meter readers and if that is the case, there should be some used pickups which may come available on the used market.

TOWER LEASE. Mr. Chamberlin said that a company wants to put a relay dish on the surge tank at Dunaway in order to connect Nyssa School computers to Adrian School computers. He said that he doesn't think the dish will interfere with the District's operations. The consensus of the Board is for Mr. Chamberlin to negotiate a contract.

AQUATIC CHEMICALS. Aquatic chemicals were discussed by the Board.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned at 10:40 p.m.

Respectfully submitted,



Michael W. Horton, General Counsel

APPROVED: _____